

LIBRARY
SUPREME COURT, U.S.

Office - Supreme Court,
FILED

MAY 24 1952

CHARLES ELMORE CLE

IN THE
Supreme Court of the United States

OCTOBER TERM, 1951

No. 524 42

F. W. WOOLWORTH CO.,
Petitioner,
against

CONTEMPORARY ARTS, INC.,
Respondent.

**PETITIONER'S REPLY BRIEF IN SUPPORT OF
PETITION FOR WRIT OF CERTIORARI**

MARTIN A. SCHENCK;
KENNETH W. GREENAWALT,
Attorneys for Petitioner,
One Wall Street,
New York 5, N. Y.

Dated: May 23, 1952.

TABLE OF CONTENTS

	PAGE
POINT I—Respondent's arguments are based on a confusion as to the actuality of the profits which it has recovered and as to the discretion permitted courts by the "in lieu" provision of Section 101 (b) of the Copyright Act	1
POINT II—Respondent confuses its departures from copyright with infringement	6 ✓
POINT III—Respondent's brief, in part, consists of irrelevant and prejudicial matter	8

Table of Cases Cited

<i>Davilla v. Brunswick-Balke Collender Co.</i> , 94 F. (2d) 567 (C.C.A. 2, 1938)	4
<i>Douglas v. Cunningham</i> , 294 U. S. 207 (1935)	3, 5
<i>Jewell LaSalle Co. v. Buck</i> , 283 U. S. 202 (1931)	3, 5
<i>Sammons v. Colonial Press</i> , 126 F. (2d) 341 (C.C.A. 1, 1942)	5
<i>Toksvig v. Bruce Publishing Co.</i> , 181 F. (2d) 664 (C.C.A. 7, 1950)	5
<i>Westermann Co. v. Dispatch Co.</i> , 249 U. S. 100 (1918)	3, 5

Statutes Cited

Title 17 U. S. Code (Copyright Act):	
Section 1 (a)	7
Section 5	7
Section 7	7
Section 101 (b)	2

IN THE
Supreme Court of the United States

OCTOBER TERM, 1951

No. 734

F. W. WOOLWORTH Co.,
Petitioner,

v.

CONTEMPORARY ARTS, INC.,
Respondent.

**PETITIONER'S REPLY BRIEF IN SUPPORT OF
PETITION FOR WRIT OF CERTIORARI**

Petitioner makes this brief reply to respondent's brief in opposition to the petition.

POINT I

Respondent's arguments are based on a confusion as to the actuality of the profits which it has recovered and as to the discretion permitted courts by the "in lieu" provision of Section 101 (b) of the Copyright Act.

Respondent, at page 6 of its brief, states that "Petitioner did not prove its profits" and, at page 14, asserts:

"Presumably, for instance, the Petitioner here is willing to pay some 2% of its gross profits of \$899.16, or \$17.98."

Respondent then goes on to argue that petitioner did not prove its selling cost, but that if it had, or if it had admitted, "a small amount of actual net profits", those would have been inadequate for plaintiff and the case therefore falls within the rule which respondent, at page 12 of its brief, tenders as usual i.e., that Congress intended statutory damages.

"* * * even though some actual damages or actual profits may be ascertainable, where they are so small and inadequate that they do not provide an effective remedy to prevent wilful and flagrant piracy."

The statute, however, (Section 101(b)), quoted at page 7 of respondent's brief and at page 26 of petitioner's appendix to brief, provides that:

"* * * in proving profits the plaintiff shall be required to prove sales only; and the defendant shall be required to prove every element of cost which he claims. * * *"

The amount of the sales are without contradiction in the record. And the defendant, under the burden which the statute placed upon it, proved as the only cost to be deducted therefrom the wholesale cost of the dogs. The gross, actual and recoverable profits were, therefore, not only the subject of precise testimony, but the subject of stipulation (R. 26-27, 73-74). The holding of the trial court that it was difficult, if not impossible, for the plaintiff to prove defendant's profits (which was the trial court's basis for allowing statutory damages; R. 24), was held by the Court of Appeals to be "clearly erroneous" (R. 279); and, under its recalculation the respondent has been allowed a recovery of this actual gross profit, and, in addition, statutory damages (R. 279).

Respondent further asserts, at pages 7 and 9 of its brief, that Congress gave the District Court entire discretion in any copyright infringement case to award *either* actual damages and profits *or* statutory damages. Actually, the wording of the statute is clear, and has been so construed by this Court, that upon awarding statutory damages discretion is vested in the District Court to assess the amount between the fixed limits of \$250 and \$5,000, and that the District Court is also given discretion whether or not to employ the scheduled amounts suggested by Congress in the statute (*Jewell LaSalle Co. v. Buck*, 283 U. S. 202 (1931); *Westermann Co. v. Dispatch Co.*, 249 U. S. 100 (1918)).

Neither *Douglas v. Cunningham*, 294 U. S. 207 (1935), nor any case cited by respondent holds that a Court may, in its discretion, award statutory damages when *either* actual damages *or* profits have been proved on the trial.

Likewise, the *Cunningham* case did not hold, as respondent argues in its brief (p. 18) that the amount of sales must be proved to serve as a basis for awarding of statutory damages. The sole question presented in the *Cunningham* case was whether under Section 25(b) "an appellate court may review the action of a trial judge in assessing an amount in lieu of actual damages where the amount awarded is within the limits imposed by the section" (294 U. S. 207, 208-9) and this Court held that it could not.

As Mr. Justice Roberts pointed out in the *Cunningham* case, the statutory damages provision was adopted "to give the owner of a copyright some recompense for injury done him, in a case where the rules of law render difficult or impossible proof of damages or discovery of profits". If proof of either is made, there is no necessity or basis of awarding statutory damages and to do so would be to

impose a penalty, which the statute clearly prohibits. In the *Cunningham* case neither profits nor damages had been proved. Therein, plaintiff's article had been infringed by its publication, among a multitude of other articles, in 384,000 copies of defendant's Sunday newspaper. Obviously, under those circumstances, it was impossible to determine defendant's profits attributable to that one article.

Respondent's assertion in its brief (p. 18) that *Davilla v. Brunswick-Balke Collender Co.*, 94 F. (2d) 567 (C.C.A. 2, 1938) is contrary to the *Cunningham* case on the theory that a Court awarding statutory damages according to the schedule in the statute cannot be reversed on appeal, is without merit. This theory requires the assumption that a Court under the statute may award statutory damages when profits or damages are proved, and, as has been pointed out, there was no proof of profits or damages in the *Cunningham* case. The *Davilla* case (which respondent claims, at pages 17-18, was "wrongly decided" and "clearly wrong") squarely holds that where profits are proved—in that case as this, by sales—a Court is precluded from awarding statutory damages and to do so would be to use the statute as a punishment.

The right of the Court to use its discretion in making a statutory award, but only after the difficulty or impossibility of proving profits and damages has been determined, saves the statute from being construed as penal. If, as respondent contends, a Court has absolute discretion to award damages and profits or statutory damages, the Court would in many instances, be improperly imposing penalties and giving the statute a penal construction. This would be particularly true if the Court could make statutory awards whenever provable damages or profits are "inadequate" as respondent erroneously urges (pp. 8, 9, 12).

In *Sammons v. Colonial Press, Inc.*, 126 F. (2d) 341 (C.C.A. 1, 1942), the First Circuit Court said that once profits are determined "it will be no longer *permissible* to decree statutory damages", and cited the *Davilla* case, which plaintiff now contends is "clearly wrong" (p. 19).

In *Toksvig v. Bruce Publishing Co.*, 181 F. (2d) 664 (C.C.A. 7, 1950), the Court implied that it was unable to determine defendant's profits but estimated them at between five and ten cents per infringing copy. In finding defendant had sold 14,262 copies, the Court awarded statutory damages of \$1,000 which comes to approximately seven cents per copy, and in all probability at least approximated defendant's profits.

As for the other cases cited by respondent the facts thereof indicate that defendant's profits were not ascertainable, especially in those cases involving infringement by a performance, as distinguished from copying (*Jewell-LaSalle Realty Co. v. Buck*, 283 U. S. 202), or where the infringing work is simply a portion of a larger work (*Douglas v. Cunningham*, *supra*). In *L. A. Westermann v. Dispatch Printing Co.*, *supra*, the Court at page 104 expressly stated that defendant's profits had not been shown. Respondent's quotation (its brief at p. 14) from this case was taken out of context, as it followed the Court's statement that both parties agreed that statutory damages were applicable, and that it is only then that a Court may consider what is a "just" assessment.

Respondent, in support of its theory of damages, charges defendant with "flagrant piracy" (p. 8) and repeatedly suggests that the infringement has been wilful and deliberate, apparently to justify the penalty which the District Court imposed. As pointed out before, this is contrary to the statute forbidding penalties and also contradicts plaintiff's own concession on the trial that defendant was an "innocent bystander" (R. 76).

Here, where defendant made but one trial order and both the purchase and selling prices were shown, defendant's profits were peculiarly simple to prove. It was not *admitted* that plaintiff was unable to prove its damages (cf. Res. Br., p. 6) and plaintiff offered no proof to show that it was difficult or impossible to prove its actual damages. If any damages may be properly awarded in this case (which petitioner denies), they should be limited to the amount of defendant's profits.

POINT II

Respondent confuses its departures from copyright with infringement.

In the ordinary copyright infringement case, the usual question is in regard to the similarity of defendant's book, picture or statuette with the plaintiff's copyrighted book, picture or statuette. And where it is shown that the defendant had access to plaintiff's work and there is persuasive proof of actual copying, the extent of the similarities may cease to be important.

But the respondent argues that because the court has determined (on emasculated proofs) that petitioner's dog copied respondent's dog, there is no merit in petitioner's contention that respondent departed from its own copyright (Res. Br., p. 19). The two questions are not at all connected.

Respondent, at page 2 of its brief, states that the statuette could be cast in metal if desired. It also states on the same page that in the "models" color was optional. But the situation presented in the case at bar is more extreme than these two questionable generalities would indicate. And there is no factual dispute in respect of

those extremes, inasmuch as respondent in great detail proved them. Color is here used as a matter of distinction; individual marking, facial expression and decoration. The plaster dog has no mouth, nose or eyes, that is, those particular features are not marked in the plaster dog (R. 64), whereas in the black and white porcelain dog the employees in respondent's shop gave it hand detail between the glazes and to the eyes and to the nose, and this facial expression to eyes, nose and muzzle was in an entirely different coloring (R. 54, 55, 56, 61).

Respondent's discussion as to the nature of the copyright monopoly does not absolve it from the obligation of using the copyright notice only on duplications of the specific dog Jan Allen registered. What that dog was has never been proven, but *it is perfectly apparent that it could not be the red plaster dog and the black and white porcelain dog at one and the same time.*

Moreover, in light of respondent's brief, it should be emphasized that plaintiff's copyright was on a "work of art" which was published and deposited as such. It was not on a "model or design for a work of art".

Section 5 of the Copyright Act, which classifies works for registration, provides in subdivision (g) thereof: "Works of art; models or designs for works of art". Under Section 1, subdivision (a) of the Copyright Act, plaintiff acquired only the right to "vend the copyrighted work". **An adaptation of such a work of art is regarded as a new work which must be copyrighted (Section 7, Copyright Act; Pl. Exs. 5, 6, 7).** This further emphasizes the necessity of plaintiff's producing and proving upon the trial the copyrighted work instead of diverse models described as "embodying" said copyrighted work. Under the Copyright Act, each of such variances must be regarded as a new work which would be required to be separately copyrighted.

POINT III

Respondent's brief, in part, consists of irrelevant and prejudicial matter.

Part of respondent's brief consists of a discussion of the factual issues of the alleged infringement, accompanied by the type of unfounded and prejudicial remarks which have characterized plaintiff's presentation herein throughout and which the Court of Appeals excused as being "prompted perhaps by an excess of zeal" (R. 279). Like some of the District Court's remarks on the trial they are, in the words of the Court of Appeals, both "unseemly and uncalled for" (R. 279).

Such discussion is not relevant to the important questions of federal law raised in the petition for review by this Court.

Sufficient here to say there was no proof that the Woolworth dog statuette was copied directly or indirectly from plaintiff's copyrighted work of art or from any one of plaintiff's diverse models. Infringement was rested and deduced solely on claimed similarities (disregarding the dissimilarities) between the Woolworth dog and some one or another of plaintiff's diverse models, each said to "embody" the unproved copyrighted dog. And it was only because of the erroneous and highly technical ruling of the antagonistic trial Court, without "giving any reasons" (R. 238-240, 231-3), that defendant was prevented from offering scientific evidence (which fully confirmed the verity of Moyer's testimony), that defendant's Exhibit F, of which the Woolworth statuette (Pl. Ex. 1, Def. Ex. A) was an *actual and direct copy, was authentic and produced in 1938* (the year date embedded on it)—which was *four*

years before plaintiff's assignor produced or obtained a copyright on the work of art alleged to have been infringed.*

The Court of Appeals glossed over this manifest inequity on the ground that defendant "gambled on a favorable discretionary ruling by the Court" and "lost" (R. 275), despite the fact that the trial Court theretofore had assured defendant of equal treatment with plaintiff in respect of rebuttal evidence (R. 181) thus, presumably, eliminating any element of chance inherent in discretion.

We had assumed the day was past when justice in an equity case could be thwarted by such an unfair judicial process. Petitioner might well have urged in its petition, that in this respect the District Court had departed from the accepted and usual course of judicial proceedings in this enlightened day of liberal practice and that the Court of Appeals had sanctioned such a departure, but it chose, rather, to confine its petition to the stated questions of copyright and federal law which are of such great importance and widespread interest and application.

* Petitioner did not include this 1938 grey plaster model (Def. Ex. F) among the physical exhibits requested to be sent to this Court because it is not relevant or material to any question raised in the petition (cf. Res. Br., p. 4 in.), but respondent, if so inclined, could request that this exhibit be transmitted to this Court, to which Petitioner has no objection.

CONCLUSION

We respectfully submit, for the reasons set forth herein and in petitioner's petition and brief in support thereof, that the petition should be granted.

Respectfully submitted,

MARTIN A. SCHENCK,
KENNETH W. GREENAWALT,
Attorneys for Petitioner,
One Wall Street,
New York 5, New York.